



# CALIFORNIA STRATEGIC SOURCING INITIATIVE

## GENERAL FREQUENTLY ASKED QUESTIONS

Updated May 3, 2005

QUESTION	ANSWER
What is Strategic Sourcing?	Strategic Sourcing is a process designed to allow the State of California to purchase the best products and best services for the best value. Using this purchasing approach, the buyer (California) analyzes what it's buying, what the market conditions are and who can supply those goods or services. The buyer then uses that information-plus innovative contracting techniques-to find the best values available in the marketplace.
Why is the State introducing Strategic Sourcing now?	Strategic Sourcing has been under study for several years. However, the State's current fiscal crisis created a sense of urgency to explore ways to save money. Regardless of California's fiscal needs, Strategic Sourcing has become a best practice in procurement management and makes good business sense for meeting the State's ongoing commitment to the taxpayers.
How does Strategic Sourcing specifically help the State save money?	<p>Strategic Sourcing provides savings in many ways. The State is equipping itself with more information about product specifications, standardization of requirements, and empirical pricing achieved for similar products in other markets. California does not intend to continue being a passive consumer. Additional savings arise through the transition to technology-based procurement systems wherever appropriate.</p> <p>The process began in California by developing a deep understanding across State agencies of what is purchased, by whom, and from whom. These insights enabled the State to identify the best sourcing approaches and technologies for our State. All other states and organizations that have used this approach have benefited from combined requirements across organizational entities for related products or services.</p> <p>Therefore, more standardization of requirements, larger volume purchases, and longer commitments allow suppliers to offer better pricing.</p>
Is Strategic Sourcing the same as "outsourcing?"	No. The two terms are often confused, but they have significantly different meanings. Strategic Sourcing essentially means getting the best services and products for the best value. Outsourcing occurs when an organization transfers the performance of functions once administered in-house to other organizations that specialize in those functions (e.g., help desks, software programming, manufacturing, human resources, etc.) and are often located in another country.
How does Strategic Sourcing change the way the State currently conducts purchasing and contracting activities?	New procurement and technology approaches will be introduced that have proven to provide savings to private and public sector organizations as well as benefits to suppliers. The State will become a smarter and more effective consumer under the CSSI.
Does Strategic Sourcing change existing contracts with the State?	All existing purchasing activities will be reviewed for savings opportunities. CSSI has focused on a number of categories comprised of goods and services. Contracts for these categories of goods and services will most likely change.
Will sourcing include services?	Yes, services are highly competitive. Sixty percent of the State spend is for services.



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What impact will Strategic Sourcing have on State purchasing and contracting personnel?	In similar sourcing projects, positive results and savings have helped elevate the value of the procurement organization. In addition, the exposure to Strategic Sourcing techniques has improved staff procurement skills.
What is the commitment to small businesses and Disabled Veteran Business Enterprises (DVBE) programs?	California continues to maintain its commitment to small businesses and DVBE programs. The State's specific approach to Strategic Sourcing keeps small businesses and DVBE program goals as an integral part of the project. A principal tenet of this program is to maintain existing participation levels. The DGS is hosting "partnering workshops" to facilitate building business relationships between small businesses, DVBEs, and prime vendors on a categorical basis. For further information on the small businesses and DVBE services, click on <a href="http://www.pd.dgs.ca.gov/smbus/default.htm">http://www.pd.dgs.ca.gov/smbus/default.htm</a> .
How will Strategic Sourcing impact leveraged procurement agreements (LPA), such as Master Service Agreements and California Multiple Award Schedules?	Existing purchasing activities will be reviewed for savings opportunities. Over time, many LPAs will be impacted. The State will probably use one or the other, but not both.
What technology applications are utilized for Strategic Sourcing?	Internet-based supply-market research tools, electronic requests for information (eRFIs), electronic requests for proposals (eRFPs), reverse auctions, eProcurement for placing orders and tracking spend, and advanced database analysis will be used as part of the Strategic Sourcing process. The use of technology applications will benefit suppliers.
How will the consultant contractors who assisted the State in the renegotiation of contracts be reimbursed?	The payment to Team CGI-AMS is calculated on a percentage of the savings accrued by the State.
If you are paying your contractor (CGI-AMS) on a percentage of savings, they will be focused on savings and not on other potential benefits to the State. How will this be addressed?	The CSSI is seeking to achieve significant savings to the State, while providing best value to the State at the same time. All CSSI procurements are being conducted in a manner consistent with the State's procurement related socio-economic program goals, including small businesses and DVBEs.
What is a reverse auction?	Reverse auction is a purchasing process in which suppliers submit bids in competition to sell services or supplies in an open environment via the Internet. The goal is to foster real-time competition between bidders. Suppliers will see what other bids are without knowing who the other bidders are and will be afforded the opportunity to submit an additional bid below the competition. Specific instructions and training for the reverse auctions will be provided to suppliers as part of the competitive sourcing process.
Is the CSSI a one-time initiative that ends after the initial three years?	No. The CSSI is only the beginning of a much larger effort to improve the procurement system for the State. One element of Strategic Sourcing is to analyze where potential savings opportunities exist and pursue them. It also includes a component of continuous improvements for the State's ongoing procurement processes.



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<p>Will the DGS provide multiple user ID/passwords to allow access to an eRFP?</p>	<p>If multiple people from one corporation want to view the same eRFP online, then it is up to the Point of Contact within that company to "share" the username and password he or she has been assigned with the appropriate people. The Point of Contact can also print the eRFP, or download it and distribute to people within their company. If a corporation is submitting two separate proposals for two separate product categories, then a Point of Contact should be designated for both proposals. It could be the same Point of Contact for both proposals; however, a unique e-mail address is required for the proposals to be submitted separately</p>
<p>I haven't received my username and password, even though I have registered with the Procurement Official to receive the eRFP. What should I do?</p>	<p>Once the eRFP is released, bidders will receive two e-mails. The invitation e-mail will come from the Procurement Official and will contain your username. For security purposes, your unique password is sent in a separate e-mail from <a href="mailto:ebreviate.security@atkearney.com">ebreviate.security@atkearney.com</a></p> <p>If as a recipient, you have enabled a spam blocker or firewall protection; this may prevent you from receiving your username and password. Please temporarily disable these security settings in order to receive important communications regarding this eRFP.</p>
<p>Is CAL-Buy being used for online buying and selling?</p>	<p>After careful consideration, the Department of General Services (DGS) has decided not to go forward with CAL-Buy as the e-purchasing tracking tool component for the California Strategic Sourcing Initiative (CSSI). Though the DGS remains strongly committed to finding an automated solution for capturing statewide spend data, input from the CAL-Buy team and from the DGS Office of Technology Resources led to the conclusion that CAL-Buy is not the tool, at this time, to achieve that goal.</p>